

The Impact of Welfare Reform on Northern Ireland

a research paper

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Research Report: four**



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THE IMPACT OF WELFARE REFORM ON NORTHERN IRELAND

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Note on the authors

Christina Beatty is a Professor in the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, and a statistician by background.

Steve Fothergill is also a Professor within CRESR at Sheffield Hallam University, and an economist by background.

Both authors have an extensive record of research and publication on local and regional trends across the UK, and on the benefits system.

Foreword

This research report has been produced as part of NICVA's Centre for Economic Empowerment (CEE), a skills development project and observatory that seeks to contribute to the economic debate in Northern Ireland.

Our aim in commissioning this report is to determine how the proposed changes to social security often referred to under the banner of 'welfare reform' will impact on the Northern Ireland economy. The proposed changes originate from the UK coalition Government not the NI Assembly. However there is very little doubt that they will have wide ranging impacts across Northern Ireland.

The researchers from Sheffield Hallam University have carried out similar reports for Scotland and Great Britain as a whole and NICVA was keen to ensure that Northern Ireland had access to similar information in order to get a clearer picture of the challenges ahead.

The report shows that Northern Ireland will be the worst affected region in the UK, with £750m a year taken out of the local economy. Within Northern Ireland, the District Council areas of Derry, Strabane, and Belfast will experience the most severe losses of income. The reforms therefore promise to widen the economic gap between Northern Ireland and Great Britain, as well as richer and poorer parts of Northern Ireland.

I hope that this report improves public understanding of the economic consequences of welfare reform and prompts decision-makers, including those charged with economic development, to respond to the significant loss of spending power that it entails.

NICVA is grateful to Professor Christina Beatty and Professor Steve Fothergill from Sheffield Hallam University for their work on this report, and to our two Northern Ireland experts who acted as peer reviewers. We would also like to thank the Department for Social Development and the Northern Ireland Housing Executive for providing access to their data.

Seamus McAleavey
NICVA Chief Executive

Key points

- *When the present welfare reforms have come into full effect they will take £750m a year out of the Northern Ireland economy. This is equivalent to £650 a year for every adult of working age.*
- *The financial loss to Northern Ireland, per adult of working age, is substantially larger than in any other part of the UK.*
- *Belfast is hit harder by the reforms than any major city in Britain.*
- *Derry and Strabane are also hit very hard, and generally across Northern Ireland the most deprived areas face the largest losses.*
- *In terms of the financial impact, Northern Ireland districts occupy three of the four top spots across the whole of the UK, seven out of the top 20 and eleven out of the top 50. Bearing in mind that there are only 26 local government districts in Northern Ireland, out of more than 400 in the UK, this is a disturbingly high representation.*
- *The biggest financial losses to Northern Ireland arise from reforms to incapacity benefits (£230m a year), changes to Tax Credits (£135m a year), the 1 per cent up-rating of most working-age benefits (£120m a year) and reforms to Disability Living Allowance (£105m a year).*
- *The Housing Benefit reforms result in more modest losses – an estimated £20m a year arising from the ‘bedroom tax’ for example – but for the households affected the sums are nevertheless still large.*
- *Some households and individuals, notably incapacity and disability claimants, are hit by several different elements of the reforms.*
- *The exceptionally large impact of the reforms on Northern Ireland owes much to the UK’s highest claimant rates of incapacity benefits and Disability Living Allowance, two of the main targets for reform.*
- *By lowering incomes more than elsewhere, a key effect of the welfare reforms will be to widen the gap in prosperity between Northern Ireland and the rest of the UK.*

THE IMPACT OF WELFARE REFORM ON NORTHERN IRELAND

Scope and purpose of the report

The Westminster Government is implementing welfare reforms that apply to all parts of the UK. The *impact of the reforms*, however, varies enormously from place to place, not least because benefit claimants are so unevenly spread across the country.

This report looks specifically at the impact of the reforms on Northern Ireland. It provides figures for Northern Ireland as a whole and for each of its 26 constituent local government districts¹. The report also draws comparisons with the rest of the UK. Separate figures are presented for each of the major benefit reforms and for their overall impact. The figures cover the number of households or individuals affected, and the total financial loss.

The report essentially replicates the methods deployed in two earlier studies released in April 2013, one on Scotland² and the other covering Great Britain as a whole³. This earlier research, without which the present study would not have been possible, was jointly funded by Sheffield Hallam University, the *Financial Times* and the Scottish Parliament. The figures presented here for Northern Ireland are however entirely new.

All the figures in the report are estimates, but in every case they are deeply rooted in official statistics – for example in the Treasury’s own estimates of the financial savings, the Westminster government’s *Impact Assessments*, and benefit claimant data.

Welfare reform is a contentious issue and in documenting the impacts the report does not attempt to comment on the merits of each of the reforms. However, it is important that the impact on different places is fully exposed because this is a key dimension that is too often overlooked. The impact on different places is also one of the yardsticks by which the reforms should be judged.

¹ From April 2015 the number of local authorities will be reduced to 11. The statistics on which the report is based are currently not published for the new authorities and the old authorities cannot in all cases be aggregated to accurately match the new boundaries.

² C Beatty and S Fothergill (2013) *The Impact of Welfare Reform on Scotland*, Scottish Parliament, Edinburgh.

³ C Beatty and S Fothergill (2013) *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, CRESR, Sheffield Hallam University. The report can be accessed at http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf

The welfare reforms

The figures presented in the report cover the major welfare reforms that are currently underway or form part of the Welfare Reform Bill currently before the Northern Ireland Assembly. In brief these are:

Housing Benefit – Local Housing Allowance

Changes to the rules governing assistance with the cost of housing for low-income households in the private rented sector. The new rules apply to rent levels, 'excess' payments, property size, age limits for sole occupancy, and indexation for inflation.

Housing Benefit – Under-occupation

Changes to the rules governing the size of properties for which payments are made to working age claimants in the social rented sector (widely known as the 'bedroom tax').

Non-dependant deductions

Increases in the deductions from Housing Benefit, Council Tax Benefit and other income-based benefits to reflect the contribution that non-dependant household members are expected to make towards the household's housing costs.

Household benefit cap

New ceiling on total payments per household, applying to the sum of a wide range of benefits for working age claimants.

Disability Living Allowance

Replacement of DLA by Personal Independence Payments (PIP), including more stringent and frequent medical tests, as the basis for financial support to help offset the additional costs faced by individuals with disabilities.

Incapacity benefits

Replacement of Incapacity Benefit and related benefits by Employment and Support Allowance (ESA), with more stringent medical tests, greater conditionality and time-limiting of non-means tested entitlement for all but the most severely ill or disabled.

Child Benefit

Three-year freeze, and withdrawal of benefit from households including a higher earner.

Tax Credits

Reductions in payment rates and eligibility for Child Tax Credit and Working Tax Credit, paid to lower and middle income households.

1 per cent up-rating

Reduction in annual up-rating of value of most working-age benefits.

A fuller description of each of these reforms, including the timing of implementation and the expected savings to the Exchequer, is contained in the appendix to the report.

The vast majority of these welfare reforms have been initiated by the present Coalition government in Westminster, notably but not exclusively through the *Welfare Reform Act 2012*. Some of the incapacity benefit reforms, however, are Labour measures that pre-date the 2010 general election but are only now taking full effect. They have been included here, alongside the Coalition's reforms, to provide a comprehensive view of the impact of the reforms that are currently underway.

The figures the report presents show the impact *when the reforms have come into full effect*. This is important because some of the reforms, particularly those affecting incapacity and disability benefits, are being implemented in stages over a number of years. The changes under the jurisdiction of the Westminster government – to Child Benefit and Tax Credits for example – are mostly underway whereas in Northern Ireland the final passage of the Welfare Reform Bill (NI) 2012 is still needed to trigger reforms such as the introduction of the household benefit cap, the 'bedroom tax' and Personal Independence Payments, currently scheduled to come into effect in spring 2014. In most cases the figures show the expected impact in the 2014-15 financial year⁴.

A close observer of the list of reforms will note a number of apparent omissions. The most significant of these is *Universal Credit*, which is scheduled to replace just about all means-tested working age benefits and is arguably the single biggest reform of all. There are three reasons for omitting Universal Credit:

- Universal Credit is best understood as a repackaging of existing benefits. It introduces for the first time a consistent benefit withdrawal rate, intended to ensure that claimants are always financially better off in work. The rules governing eligibility are essentially carried over from the existing benefits it replaces though there are detailed changes around tax credits for disability, earnings disregard rules, sanctions and overpayments.
- Unlike the other welfare reforms covered here, Universal Credit is not expected to result in a net reduction in benefit entitlement. At the level of the individual or household there will winners and losers but on balance Universal Credit is expected to result in slightly higher expenditure, particularly as transitional relief will be available to existing claimants transferring across.
- Most of the impact of Universal Credit will be felt well beyond 2015. Its introduction began in 2013 only in a small number of pilot areas in Great Britain and only for new claimants. Its introduction in Northern Ireland is currently not scheduled until summer 2014. The full impact is unlikely before 2018.

⁴ The exceptions are the DLA reforms, which will not impact fully until 2017-18, and the wider application of means testing to ESA and the 1 per cent up-rating, both of which do not impact fully until 2015-16.

Additionally, without local-level household data, which is not available, it is extremely difficult to model the local impact of Universal Credit. In Northern Ireland the impacts of Universal Credit will differ a little from the rest of the UK because of agreement to split payments between couples more readily, to pay fortnightly rather than monthly and to pay rents direct to landlords.

Four further omissions are worth noting:

- *Council Tax Benefit* (known locally in Northern Ireland as the *Regional Rate Rebate*). The Northern Ireland Executive has for the moment chosen not to pass on to claimants the Westminster Government's 10 per cent cut in the value of Council Tax Benefit payments. Further proposals on the issue of the integration of rate rebates and Universal Credit are currently out for consultation.
- *Income Support for lone parents*. Across the rest of the UK the qualifying age of the youngest child has already been reduced from under 7 to under 5 and this is one of the proposals in the Welfare Reform Bill (NI) 2012. The effect, however, is to transfer the lone parent from Income Support to Jobseeker's Allowance at the same payment rate.
- *RPI to CPI for benefits up-rating*. This was introduced from 2011-12 but is really part of a much wider accounting reform, including for example all public service pensions.
- Changes to the *Social Fund*, which provides support for those in acute need. In Northern Ireland this is being maintained in 2013/14 and will subsequently move to a Discretionary Support Scheme, though with some detailed revisions to rules.

There are also likely to be downstream consequences of the reforms for 'passport' benefits - the Motability scheme for the disabled is an example - that are not covered in the present report. Northern Ireland has some discretion over these. The current position is that an interim arrangement will be put in place for 2014 and a more permanent solution found by 2016.

When fully implemented, the welfare reforms covered in this report are expected to save the UK Treasury almost £19bn a year.

Measuring the impacts

The data sources and methods underpinning the estimates are set out in full in the appendix to the report.

The Westminster Government has in most cases not produced estimates of the local impact of the reforms. It does however publish a range of statistics that allow the local impact to be estimated. This information includes:

- HM Treasury estimates of the overall financial saving arising from each element of the reforms, published in the *Budget* or in the government's *Autumn Statement*. The estimates in the report are fully consistent with these Treasury figures⁵.
- The *Impact Assessment* and (where available) *Equality Impact Assessment* that Westminster departments publish for each element of the reform.
- Benefit claimant numbers and expenditure, by local authority, published by the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC).
- Additional official statistics – for example on median earnings by local authority to help calibrate the impact of the withdrawal of Child Benefit.
- DWP evidence from pilot schemes, in the context of the incapacity benefit reforms.

Additionally, Northern Ireland's Department for Social Development (DSD) has published a helpful assessment of elements of the reforms⁶. DSD also publishes benefit claimant statistics, and the Northern Ireland Housing Executive has provided further statistics on Housing Benefit claimants.

As far as possible, for each benefit the figures presented in the report take account of the overall financial saving to the UK Exchequer, the distribution of benefit claimants between Northern Ireland and the rest of the UK, and the extent to which claimants in each local government district are likely to be affected by the reforms.

In examining the impact on Northern Ireland the report looks in particular at the financial loss *per adult of working age*. A focus on adults of working age (16-64) is appropriate because the welfare reforms impact almost exclusively on this group. By contrast, benefit claimants of pensionable age are essentially unaffected⁷.

Some of the welfare reforms focus on *households* – the reforms to Housing Benefit for example. Others – the reforms to incapacity benefits for example – are about the entitlement of *individuals*. Additionally, several of the reforms are likely to impact simultaneously on the same households and/or individuals. It is possible to estimate how many people are affected by each element of the reforms, and how much they lose. The financial losses can be added together but to avoid counting the same people twice the number of households/individuals affected cannot be summed to an overall total.

⁵ The estimates of the impact of the reforms to incapacity benefits, DLA and Council Tax Benefit are subject to further detailed adjustment – see appendix.

⁶ Department for Social Development (2013) *Welfare Reform Bill: Section 75 Update, April 2013*, DSD, Belfast.

⁷ The main exceptions are a small minority (around 5%) of Housing Benefit recipients in the private rented sector, affected by the reforms to Local Housing Allowance, and a small number of adults of pensionable age who receive Child Benefit.

Finally, in estimating the impact of the welfare reforms the report *holds all other factors constant*. What this means in practice is that it makes no assumptions about the growth of the UK and Northern Ireland economies, or about future levels of employment and unemployment. The report also makes no assumptions about the impact of Housing Benefit reforms on rent levels and thereby on landlords rather than tenants.

Westminster ministers take the view that the welfare reforms will increase the financial incentives to take up employment and because more people will look for work more people will find work. This assumes, of course, that extra labour supply leads to extra labour demand from employers. Whether labour markets really do work in this way, especially at times of recession or low growth, or in places where the local economy is relatively weak, is a moot point and one that many economists would contest. Some individuals will undoubtedly find work to compensate for the loss of benefit income but whether the *overall* level of employment will be any higher as a result is questionable. More often than not, they will simply fill vacancies that would have gone to other jobseekers. So the figures in this report do not assume that loss of income from benefits will wholly or in part be replaced by additional income from employment.

The impact on Northern Ireland

Overall impact

Table 1 shows the estimated impact of the welfare reforms on Northern Ireland as a whole. Overall, when the reforms have come into full effect it is estimated that they will take £750m a year out of the Northern Ireland economy, or around £650 a year for every adult of working age.

The individual welfare reforms vary greatly in the scale of their impact, in the number of individuals or households affected, and in the intensity of the financial loss imposed on those affected. A great deal of media coverage has focussed on, for example, the 'bedroom tax' and the overall household benefit cap. In fact, in Northern Ireland the biggest financial impact comes from the reform of incapacity benefits – an estimated loss of £230m a year. Changes to Tax Credits and the 1 per cent up-rating of most working-age benefits also account for substantial sums - £135m and £120m respectively. The reforms to Disability Living Allowance remove a further £105m a year.

Child Benefit changes affect the largest number of households – more than 240,000 in Northern Ireland. This is because the three-year freeze in Child Benefit rates up to April 2014 (instead of uprating with inflation) impacts on all recipients to a modest extent. A much smaller number of households with higher earners are hit harder by the complete or partial withdrawal of Child Benefit.

Table 1: Impact of welfare reform on Northern Ireland by 2014/15

	No of h'holds/individuals adversely affected	Estimated net loss £m p.a.	Average loss per affected h'hold/indiv £ p.a.	No. of h'holds/indiv affected per 10,000	Net loss per working age adult ⁽⁴⁾ £ p.a.
Incapacity benefits ⁽¹⁾⁽³⁾	66,000	230	3,480	570	200
Tax Credits	165,000	135	810	2,350	115
1 per cent uprating ⁽³⁾	n.a.	120	n.a.	n.a.	105
Disability Living Allowance ⁽¹⁾⁽²⁾	67,000*	105	2,160*	580*	90
Child Benefit	242,000	80	330	3,450	70
Housing Benefit: LHA	54,000	55	1,000	760	45
Housing Benefit: 'bedroom tax'	33,000	20	620	460	20
Non-dependant deductions	10,000	10	1,130	140	10
Household benefit cap	620	3	4,810	10	3
Total	n.a.	750	n.a.	n.a.	650

⁽¹⁾ Individuals affected; all other data refers to households

⁽²⁾ By 2017/18

⁽³⁾ By 2015/16

⁽⁴⁾ All 16-64 year olds in NI, including those unaffected by the reforms

*Not directly comparable with published GB figures

Source: Sheffield Hallam estimates based on official data

The household benefit cap, by contrast, impacts on relatively few households in Northern Ireland – an estimated 620 – but the average financial loss for each of these households is relatively large. In London the household benefit cap mostly come into effect because of very high rent levels (and therefore high Housing Benefit entitlement). In Northern Ireland and most of the rest of the UK, where rents are lower, the cap is more often triggered by large family size.

Sickness and disability claimants can expect to be hit hard. The individuals adversely affected by the incapacity benefit reforms can expect to lose an average of almost £3,500 a year, and those losing out as a result of the changeover from Disability Living Allowance to Personal Independence Payments by an average of more than £2,000 a year⁸. Often these will be the same individuals: most DLA claimants of working age are out-of-work on incapacity benefits and in both cases the group most exposed to benefit reductions are those with less severe disabilities or health problems.

The same individuals may also find that they encounter reductions in Housing Benefit entitlement. The overall reductions in Housing Benefit in Northern Ireland are estimated to be more modest – £55m for those in the private rented sector (affected by LHA reforms), £20m for those in the social rented sector (affected by the ‘bedroom tax’) and £10m by higher deductions for non-dependants (which mostly impact on Housing Benefit). The losses for the households affected – often £1,000 a year – are nevertheless still large.

Impact by local government district

Table 2 shows the estimated overall impact by local government district of the reforms. Tables in the appendix present detailed figures for each district, benefit by benefit.

Figure 1 maps the overall impact, by district, across Northern Ireland.

Three local government districts are hit hardest by the welfare reforms – Derry and Strabane (in the west) and Belfast. In these three areas the financial loss, averaged across the whole working age population between the ages of 16 and 64, is over £800 a year, with Derry reaching the £900 mark. Belfast is of course Northern Ireland’s largest city by some margin, so here the overall loss of benefit income – nearly £150m a year – is very substantial indeed.

In a further 12 districts the financial loss per working age adult is £600 a year or more. By contrast, in North Down the estimated loss per working age adult is only £450 a year – half the level in Derry.

⁸ This figure is an average for those losing either some or all their entitlement. The numbers adversely affected also combine these groups. The comparable figures published in the Scotland and GB reports referred only to complete loss of entitlement. The net financial losses arising from DLA reform, published here, deduct the increases in entitlement that some claimants can expect as a result of the transfer to PIP.

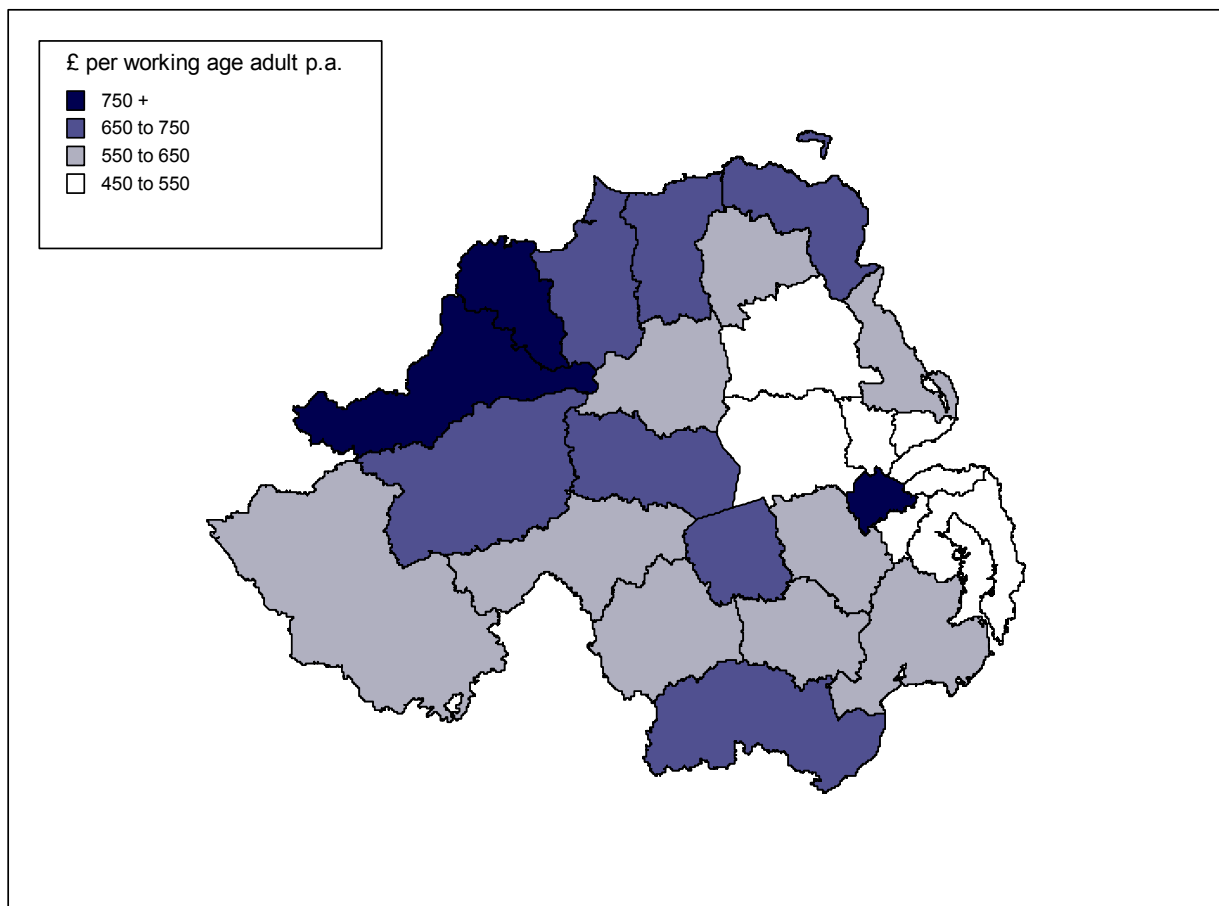
Table 2: Overall impact of welfare reform on Northern Ireland by 2014/15⁽¹⁾, by local government district

	Estimated loss £m p.a.	Loss per working age adult £ p.a.
Derry	64	900
Strabane	22	870
Belfast	147	840
Limavady	16	730
Moyle	7	690
Omagh	23	690
Newry and Mourne	44	680
Cookstown	16	680
Craigavon	41	670
Coleraine	23	650
Down	29	630
Dungannon	23	610
Ballymoney	12	610
Larne	12	610
Armagh	23	600
Banbridge	17	560
Fermanagh	22	560
Lisburn	42	550
Magherafelt	16	550
Newtownabbey	29	550
Antrim	19	550
Carrickfergus	14	540
Ballymena	21	530
Ards	27	530
Castlereagh	20	460
North Down	23	450
Northern Ireland	750	650

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

Figure 1: Overall financial loss per working age adult arising from welfare reform, by local government district, by 2014/15¹⁾



⁽¹⁾Except DLA by 2017/18, incapacity benefits and 1 per cent uprating by 2015/16

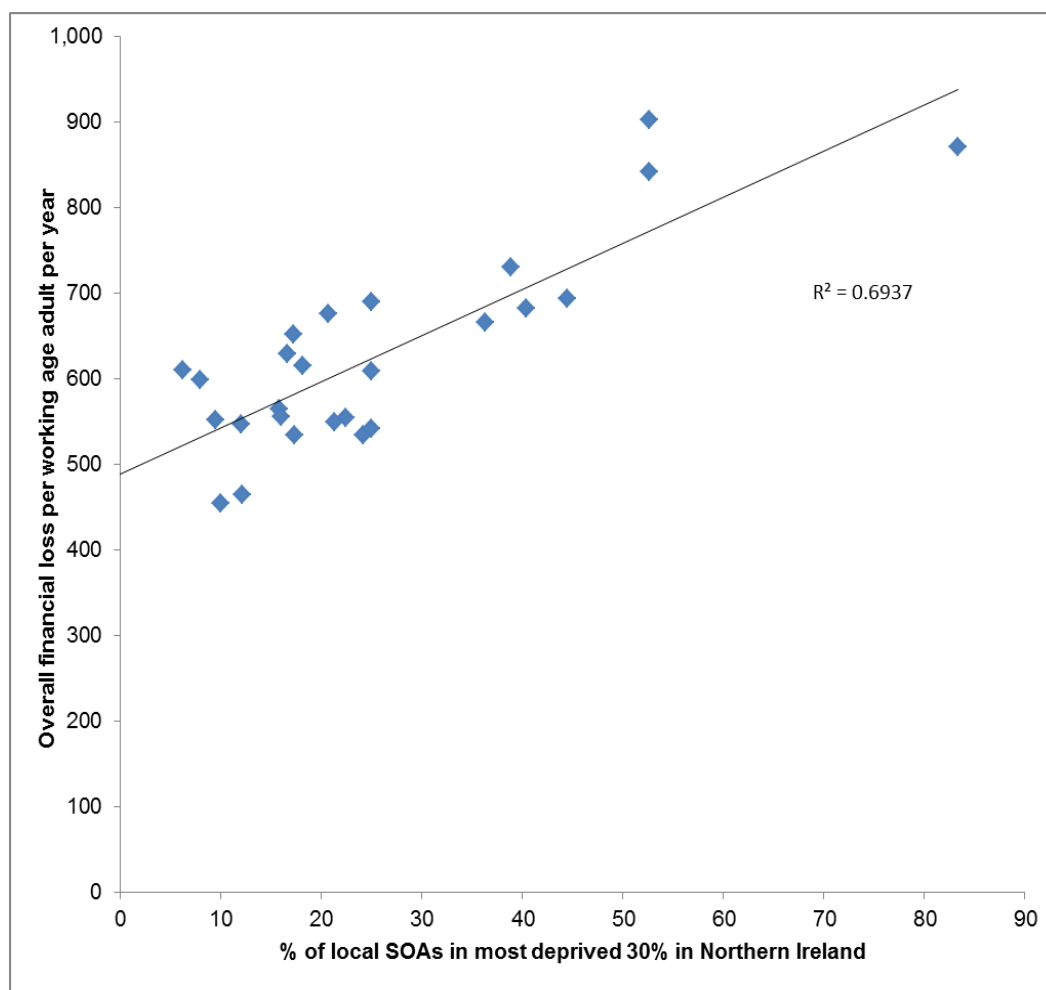
Source: Sheffield Hallam estimates based on official data

There are no surprises in this geography. It is to be expected that welfare reforms will hit hardest in the places where welfare claimants are concentrated, which in turn tend to be the poorest areas with the highest rates of worklessness and the lowest incomes.

To underline this point, Figure 2 shows the relationship between the impact of the welfare reforms (measured in terms of the loss per adult of working age) and the share of the super output areas⁹ in each local government district in the most deprived 30 per cent in Northern Ireland (from the *Northern Ireland Multiple Deprivation Measure 2010*). There is a clear and unambiguous relationship: as a general rule, the more deprived the local government district, the greater the financial hit.

⁹ Super Output Areas are small geographical units with between 1,300 and 3,000 residents.

Figure 2: Relationship between impact of welfare reform and deprivation, by local government district



Sources: Sheffield Hallam estimates and Northern Ireland Multiple Deprivation Measure 2010

Comparisons with the rest of the UK

Table 3 compares the financial impact of welfare reform on Northern Ireland with the impact on Scotland, Wales and the English regions¹⁰. The figures show the absolute loss of benefit income in the first column, and in the second column the loss averaged across the working age population.

The key point in this table is that, in terms of the impact per adult of working age, the welfare reforms hit Northern Ireland substantially harder than any other part of the UK. The average financial loss per head in Northern Ireland (£650 a year) is well ahead of the comparable figures for Scotland (£480) or Wales (£550), and also well ahead of the two hardest-hit English regions, the North West and North East (both at £560).

¹⁰ See C Beatty and S Fothergill (2013) *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, CRESR, Sheffield Hallam University.

Table 3: Overall impact of welfare reform by 2014/15⁽¹⁾: comparison with GB regions

	Estimated loss £m p.a.	Loss per working age adult £ p.a.
Northern Ireland	750	650
North West	2,560	560
North East	940	560
Wales	1,070	550
London	2,910	520
Yorkshire and the Humber	1,690	500
West Midlands	1,740	490
Scotland	1,660	480
East Midlands	1,310	450
South West	1,440	430
East	1,490	400
South East	2,060	370

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

In the South East of England, generally regarded as one of the UK's most prosperous regions, the loss is just £370 a year. The average loss per adult of working age across Great Britain as a whole is £470 a year¹¹.

The consequence is that Northern Ireland, with 3 per cent of the UK population, faces 4 per cent of the overall financial loss arising from welfare reform (£750m a year out of a UK total of just under £19bn a year).

What should not escape note, however, is that the gap between Northern Ireland and the GB average would have been somewhat wider – £10-20 more per adult of working age – if the Northern Ireland Executive had chosen to pass on the cut in Council Tax Benefit to claimants. The Northern Ireland Executive, along with the Scottish and Welsh Governments and a number of English local authorities, has instead opted to absorb the reduction elsewhere within its budget, at least for the moment. As in the rest of the UK, the Westminster Government grant to pay for Council Tax Benefit has been reduced by 10 per cent, so this element of the welfare reforms still impacts on Northern Ireland; the difference between Northern Ireland and parts of England is that the impact does not fall directly on claimants.

¹¹ All the figures in the present report for GB and its constituent regions and local authorities, taken from Beatty and Fothergill (2013), slightly overstate the financial impact (by around 4 per cent overall) because they followed official practice in the government *Impact Assessments* in allocating the whole of the anticipated financial savings to the Treasury across GB rather than UK.

Table 4: Overall impact of welfare reforms by 2014/15⁽¹⁾, by UK local authority

	Loss per working age adult £ p.a.		Loss per working age adult £ p.a.
TOP 50 DISTRICTS		(cont.)	
1. Blackpool	910	40. Down	630
2. Derry	900	41. Inverclyde	630
3. Strabane	870	42. Barrow in Furness	630
4. Belfast	840	43. Hull	630
5. Westminster	820	44. Barnsley	630
6. Knowsley	800	45. Tameside	620
7. Limavady	730	46. South Tyneside	620
8. Merthyr Tydfil	720	47. Halton	620
9. Middlesbrough	720	48. Redcar and Cleveland	620
10. Hartlepool	710	49. Sunderland	620
11. Torbay	700	50. Tendring	620
12. Liverpool	700		
13. Blaenau Gwent	700	BOTTOM 20 DISTRICTS	
14. Neath Port Talbot	700	386. Mid Sussex	280
15. Moyle	690	387. East Hampshire	280
16. Hastings	690	388. Waverley	280
17. Omagh	690	389. Cotswold	270
18. Burnley	690	390. Harborough	270
19. Rochdale	680	391. Horsham	270
20. Newry and Mourne	680	392. Surrey Heath	270
21. Barking and Dagenham	680	393. Mole Valley	270
22. Brent	680	394. South Cambridgeshire	270
23. Hyndburn	680	395. Winchester	270
24. Cookstown	680	396. Chiltern	270
25. Blackburn with Darwen	670	397. South Bucks	260
26. Thanet	670	398. Guildford	260
27. Stoke on Trent	670	399. South Northamptonshire	260
28. Rhondda Cynon Taf	670	400. South Oxfordshire	260
29. Hackney	670	401. Rutland	260
30. Enfield	670	402. Wokingham	250
31. Craigavon	670	403. Cambridge	250
32. Coleraine	650	404. Hart	240
33. Glasgow	650	405. City of London	180
34. Salford	640		
35. Caerphilly	640		
36. Oldham	640		
37. Wirral	640		
38. Haringey	640		
39. St Helens	630		

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

The total number of households claiming Regional Rate Rebate (the NI equivalent of Council Tax Benefit) is approximately 165,000. Reductions in payments from Westminster cannot be passed on to pensioner households. However, if working age claimants account for the same proportion as in Great Britain (63 per cent) then around 100,000 household would be exposed to reductions in this benefit if the Northern Ireland Executive decided in future to pass on the loss of grant to claimants.

To underline the extent to which Northern Ireland in general, and specific local areas in particular, are hit exceptionally hard by the welfare reforms, Table 4 lists the 50 worst-hit local authority areas across the UK. Northern Ireland districts (in bold) occupy three of the top four spots, seven out of the top 20, and eleven out of the top 50. Bearing in mind that there are only 26 local government districts in Northern Ireland, out of more than 400 in the UK, this is a disturbingly high representation.

The table also demonstrates that the financial losses arising from welfare reform are greater in Belfast than in any other major UK city. At £840 a year per adult of working age, Belfast is hit substantially harder than for example Liverpool (£700) or Glasgow (£650).

At the other end of the spectrum, none of the least affected 20 authorities are in Northern Ireland. Indeed, only two local government districts in Northern Ireland (Castlereagh at £460 a head and North Down at £450 a head) have an estimated impact that is less than the average for Great Britain. In both these local government districts the impact is still around £200 a head greater than in parts of southern England.

Why is Northern Ireland hit so hard?

So why do the welfare reforms hit Northern Ireland so much harder than other parts of the UK? To begin to answer this question, Table 5 looks at the financial losses arising from each element of the reforms.

What is clear from this table is that no single element of the reforms accounts for the whole of the difference between Northern Ireland and the rest of the UK. Northern Ireland loses more per adult of working age from the changes to Tax Credits, which is to be expected in a part of the UK where incomes are below average. Likewise, the 1 per cent uprating of the main working-age welfare benefits hits harder in Northern Ireland because a higher proportion of the working age population claims benefits, including out-of-work benefits. The Housing Benefit reforms also contribute a little to the higher impact in Northern Ireland, which is again a reflection of low incomes.

However, above all it is the combination of the incapacity and disability benefit reforms that push Northern Ireland so far ahead of the GB average. Together, the incapacity benefit and Disability Living Allowance reforms are responsible for three-quarters of the gap between the overall impact of the welfare reforms in Northern Ireland and GB.

Table 5: Impact of welfare reform on Northern Ireland by 2014/15: comparison with GB averages

	Loss per working age adult £ p.a.	
	Northern Ireland	Great Britain
Incapacity benefits ⁽³⁾	200	110
Tax Credits	115	90
1 per cent uprating ⁽³⁾	105	85
Disability Living Allowance ⁽²⁾	90	40
Child Benefit	70	70
Housing Benefit: LHA	45	40
Housing Benefit: 'bedroom tax'	20	10
Non-dependant deductions	10	10
Household benefit cap	3	5
Council Tax Benefit	0 ⁽¹⁾	10
Total	650	470

⁽¹⁾ Reductions not passed on to claimants

⁽²⁾ By 2017/18

⁽³⁾ By 2015/16

Source: Sheffield Hallam estimates based on official data

Northern Ireland is not unusual in facing large financial losses from incapacity and disability benefit reform. Scotland, Wales and the north of England also face large losses, though not as large as those in Northern Ireland. Incapacity benefit claimants and DLA claimants are disproportionately concentrated in these parts of the UK. Partly, this is a reflection of disparities in the underlying levels of ill health and disability. But more particularly it is a reflection of the weakness of local labour markets¹².

In the parts of Britain where there has been a persistent shortfall in the demand for labour, men and women with health problems or disabilities are one of the main groups that have missed out in the competition for jobs. Many of these men and women have then claimed incapacity benefits rather than unemployment benefits. Indeed, the diversion onto incapacity benefits is the main way in which the true scale of unemployment in the UK's weaker local economies has been hidden since the 1980s. Many of the same men and women have then also accessed Disability Living Allowance, which shows a similar concentration of claimants in weaker local economies. Those who eventually find work, dropping out of the incapacity numbers, often still retain DLA.

¹² See for example C Beatty and S Fothergill (2005) The diversion from 'unemployment' to 'sickness' across British regions and districts, *Regional Studies*, vol. 39, pp. 837-854.

However, Northern Ireland is something of an extreme case. The overall incapacity claimant rate (IB/ESA) in Northern Ireland in November 2012 was 10.1 per cent – one-in-ten of all adults between the ages of 16 and 64¹³. This puts Northern Ireland well ahead of the GB average of 6.5 per cent and ahead of all other UK regions. Derry (13.8 per cent), Strabane (13.4 per cent) and Belfast (13.4 per cent) have the highest incapacity benefit claimant rates anywhere in the UK, higher even than the Welsh Valleys, which have long been known to include some of the highest concentrations of incapacity claimants.

Likewise, Northern Ireland has the highest DLA claimant rate among adults of working age – 10.1 per cent in May 2012¹⁴. This compares to 6.2 per cent in Scotland, 6.8 per cent in Wales and an average of 4.9 per cent across Great Britain as a whole.

One of the reasons why Northern Ireland has incapacity and disability claimant rates that are so much higher than other parts of the UK with relatively weak labour markets may be the long-term impact of the Troubles. There is for example evidence that the Troubles have resulted in significant mental health problems¹⁵. However, whether this factor can account for the whole of the difference is unclear.

There is nevertheless a certain inevitability that reductions in eligibility for incapacity and disability benefits lead to the largest financial losses in the places, like Northern Ireland, where claimants of these benefits are concentrated. In Northern Ireland's case there is a further twist, because the Department for Social Development estimates that of those in Northern Ireland who are able to move across to PIP from DLA, more will experience a reduction rather than an increase in the value of their entitlement¹⁶, whereas in the rest of the UK the Department for Work and Pensions expects the numbers to be broadly in balance¹⁷.

Concluding remarks

Northern Ireland has not been singled out as the target for welfare reform. However, the figures here indicate that it is being hit harder than any other part of the UK.

The impacts of the reforms on Northern Ireland are very substantial – an estimated loss of income of £750m a year once all the reforms have been fully implemented, or an average of £650 a year per adult of working age. For some of the individuals affected by the changes the loss of income is much, much greater.

¹³ DSD claimant data

¹⁴ Source: DSD (2013) *Welfare Reform Bill: Section 75 Update*, April 2013, DSD, Belfast.

¹⁵ See for example D O'Reilly and M Stevenson ((2003) Mental health in Northern Ireland: have 'the Troubles' made it worse?, *Journal of Epidemiol Community Health*, vol 57, pp. 488-492; and O Muldoon and C Downes (2007) Social identification and post-traumatic stress symptoms in post-conflict Northern Ireland, *British Journal of Psychiatry*, vol 191, pp. 146-149.

¹⁶ DSD (2013) op.cit.

¹⁷ DWP (2012) *Impact Assessment Disability Living Allowance reform*, DWP, London.

What is also clear is that the financial losses arising from the reforms will hit some parts of Northern Ireland especially hard. Derry, Strabane and Belfast are the worst affected of all. Indeed, as a result of the reforms, Belfast loses more money per adult of working age than any other major city in the UK.

The large loss of income to Northern Ireland will have knock-on consequences for local spending and thus for local employment, which will add a further twist to a downward spiral. A key effect of welfare reform will therefore be to widen the gap in prosperity between Northern Ireland and the rest of the UK.

APPENDIX 1: Impact of individual welfare reforms by 2014/15⁽¹⁾, by local government district

Housing Benefit: LHA				
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	1,200	1	590	35
Ards	1,700	2	550	35
Armagh	1,500	1	670	40
Ballymena	1,600	2	640	40
Ballymoney	900	1	770	45
Banbridge	1,100	1	600	35
Belfast	10,800	11	890	60
Carrickfergus	1,000	1	620	40
Castlereagh	1,000	1	340	20
Coleraine	1,900	2	800	55
Cookstown	1,000	1	770	40
Craigavon	3,300	3	910	55
Derry	5,300	5	1,300	75
Down	2,400	2	920	55
Dungannon	1,300	1	640	35
Fermanagh	1,600	2	700	40
Larne	1,100	1	830	55
Limavady	1,400	1	1,120	60
Lisburn	1,900	2	420	25
Magherafelt	1,100	1	700	35
Moyle	600	1	830	50
Newry and Mourne	3,100	3	890	50
Newtownabbey	1,800	2	530	35
North Down	1,700	2	500	35
Omagh	1,800	2	950	50
Strabane	1,700	2	1,140	65
Northern Ireland	54,000	55	760	45

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Housing Benefit: under-occupation ('bedroom tax')

	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	700	<0.5	360	15
Ards	1,300	1	400	15
Armagh	600	<0.5	280	10
Ballymena	900	1	350	15
Ballymoney	500	<0.5	400	15
Banbridge	600	<0.5	320	10
Belfast	9,600	6	790	35
Carrickfergus	600	<0.5	380	15
Castlereagh	1,000	1	350	15
Coleraine	1,000	1	440	20
Cookstown	300	<0.5	260	10
Craigavon	1,400	1	390	15
Derry	3,200	2	770	30
Down	900	1	320	10
Dungannon	600	<0.5	320	10
Fermanagh	800	<0.5	330	10
Larne	400	<0.5	320	15
Limavady	500	<0.5	430	15
Lisburn	2,300	1	500	20
Magherafelt	400	<0.5	280	10
Moyle	300	<0.5	440	15
Newry and Mourne	1,200	1	350	10
Newtownabbey	1,300	1	390	15
North Down	900	1	270	10
Omagh	600	<0.5	340	10
Strabane	800	1	570	20
Northern Ireland	33,000	20	460	20

Non-dependant deductions				
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	200	<0.5	100	5
Ards	300	<0.5	110	10
Armagh	200	<0.5	100	5
Ballymena	300	<0.5	110	10
Ballymoney	100	<0.5	120	10
Banbridge	200	<0.5	100	5
Belfast	2,400	3	200	15
Carrickfergus	200	<0.5	110	10
Castlereagh	200	<0.5	90	5
Coleraine	300	<0.5	130	10
Cookstown	100	<0.5	100	5
Craigavon	500	1	140	10
Derry	900	1	230	15
Down	300	<0.5	120	10
Dungannon	200	<0.5	110	5
Fermanagh	300	<0.5	110	5
Larne	200	<0.5	120	10
Limavady	200	<0.5	150	10
Lisburn	500	1	110	10
Magherafelt	200	<0.5	100	5
Moyle	100	<0.5	140	10
Newry and Mourne	500	1	130	10
Newtownabbey	400	<0.5	110	10
North Down	300	<0.5	90	5
Omagh	200	<0.5	130	10
Strabane	300	<0.5	180	10
Northern Ireland	10,000	10	140	10

Household benefit cap				
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	10	<0.1	7	<5
Ards	20	0.1	7	<5
Armagh	20	0.1	8	<5
Ballymena	20	0.1	7	<5
Ballymoney	10	<0.1	9	<5
Banbridge	10	0.1	7	<5
Belfast	130	0.6	11	5
Carrickfergus	10	0.1	7	<5
Castlereagh	20	0.1	6	<5
Coleraine	20	0.1	8	5
Cookstown	10	0.1	10	<5
Craigavon	30	0.2	9	5
Derry	60	0.3	14	5
Down	20	0.1	9	<5
Dungannon	20	0.1	9	<5
Fermanagh	20	0.1	8	<5
Larne	10	<0.1	7	<5
Limavady	10	0.1	12	5
Lisburn	30	0.2	8	<5
Magherafelt	10	0.1	8	<5
Moyle	10	<0.1	10	5
Newry and Mourne	40	0.2	10	5
Newtownabbey	20	0.1	7	<5
North Down	20	0.1	5	<5
Omagh	20	0.1	10	5
Strabane	20	0.1	12	5
Northern Ireland	620	3	10	3

Disability Living Allowance				
	No of individuals affected	Estimated loss £m p.a.	No. of individuals affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	1,700	3	480	75
Ards	2,400	4	490	75
Armagh	2,000	3	540	80
Ballymena	1,600	3	410	65
Ballymoney	1,000	2	510	80
Banbridge	1,600	3	530	80
Belfast	13,300	20	760	115
Carrickfergus	1,200	2	470	70
Castlereagh	2,000	3	470	70
Coleraine	1,600	2	460	70
Cookstown	1,600	2	650	100
Craigavon	3,600	5	580	90
Derry	5,200	8	720	110
Down	2,700	4	580	90
Dungannon	2,200	3	580	90
Fermanagh	2,000	3	500	75
Larne	1,000	1	490	75
Limavady	1,200	2	550	85
Lisburn	3,900	6	520	80
Magherafelt	1,400	2	470	70
Moyle	600	1	510	80
Newry and Mourne	3,900	6	610	95
Newtownabbey	2,700	4	500	75
North Down	2,000	3	380	60
Omagh	2,500	4	740	110
Strabane	2,100	3	810	125
Northern Ireland	67,000	105	580	90

Incapacity benefits				
	No of individuals affected	Estimated loss £m p.a.	No. of individuals affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	1,600	6	460	160
Ards	2,100	7	430	150
Armagh	1,900	7	500	175
Ballymena	1,800	6	450	155
Ballymoney	1,100	4	560	195
Banbridge	1,500	5	480	170
Belfast	14,300	50	820	285
Carrickfergus	1,200	4	450	155
Castlereagh	1,600	6	380	130
Coleraine	2,000	7	570	200
Cookstown	1,500	5	620	215
Craigavon	3,500	12	570	195
Derry	6,100	21	850	295
Down	2,400	8	530	185
Dungannon	2,000	7	520	180
Fermanagh	1,800	6	440	155
Larne	1,100	4	530	185
Limavady	1,500	5	690	240
Lisburn	3,300	11	440	150
Magherafelt	1,400	5	460	160
Moyle	700	2	640	220
Newry and Mourne	3,900	14	610	210
Newtownabbey	2,400	8	440	155
North Down	1,700	6	340	115
Omagh	2,200	8	640	225
Strabane	2,100	7	820	285
Northern Ireland	66,000	230	570	200

Child Benefit				
	No of households affected	Estimated loss £m p.a.	No. of households affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	7,600	2	3,790	70
Ards	10,000	3	3,160	65
Armagh	8,100	3	3,770	70
Ballymena	8,200	3	3,310	65
Ballymoney	4,100	1	3,520	70
Banbridge	6,600	2	3,630	70
Belfast	35,700	12	2,960	65
Carrickfergus	5,200	2	3,240	65
Castlereagh	8,600	3	3,120	65
Coleraine	7,300	2	3,110	70
Cookstown	5,000	2	3,870	70
Craigavon	13,400	4	3,740	70
Derry	16,300	5	3,990	75
Down	9,500	3	3,630	70
Dungannon	8,200	3	4,020	70
Fermanagh	7,500	2	3,260	60
Larne	4,100	1	3,090	65
Limavady	4,600	2	3,810	70
Lisburn	17,000	6	3,720	75
Magherafelt	5,900	2	3,950	65
Moyle	2,100	1	3,180	65
Newry and Mourne	13,500	4	3,860	70
Newtownabbey	11,500	4	3,380	70
North Down	9,800	3	2,930	65
Omagh	6,800	2	3,700	65
Strabane	5,600	2	3,760	70
Northern Ireland	242,000	80	3,450	70

Tax Credits				
	No of households affected	Estimated loss £m p.a.	No. of households affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	4,300	3	2,140	100
Ards	6,100	5	1,940	100
Armagh	5,400	4	2,500	115
Ballymena	4,900	4	1,970	100
Ballymoney	2,500	2	2,170	105
Banbridge	3,900	3	2,130	100
Belfast	27,600	22	2,290	130
Carrickfergus	3,100	3	1,910	95
Castlereagh	4,300	3	1,550	80
Coleraine	5,300	4	2,250	120
Cookstown	3,800	3	2,940	130
Craigavon	9,100	7	2,530	120
Derry	13,600	11	3,340	155
Down	6,200	5	2,370	110
Dungannon	5,700	5	2,810	120
Fermanagh	5,500	4	2,380	110
Larne	2,600	2	1,960	105
Limavady	3,500	3	2,890	130
Lisburn	10,000	8	2,190	105
Magherafelt	3,900	3	2,590	110
Moyle	1,700	1	2,570	130
Newry and Mourne	10,000	8	2,850	125
Newtownabbey	6,600	5	1,940	100
North Down	5,500	4	1,650	90
Omagh	4,800	4	2,600	110
Strabane	4,700	4	3,170	150
Northern Ireland	165,000	135	2,350	115

1 per cent uprating				
	No of h'holds/indiv affected	Estimated loss £m p.a.	No. of h'holds/indiv affected per 10,000	Financial loss per working age adult £ p.a.
Antrim	n.a.	3	n.a.	85
Ards	n.a.	4	n.a.	85
Armagh	n.a.	4	n.a.	95
Ballymena	n.a.	3	n.a.	85
Ballymoney	n.a.	2	n.a.	95
Banbridge	n.a.	3	n.a.	85
Belfast	n.a.	23	n.a.	130
Carrickfergus	n.a.	2	n.a.	85
Castlereagh	n.a.	3	n.a.	70
Coleraine	n.a.	4	n.a.	110
Cookstown	n.a.	3	n.a.	105
Craigavon	n.a.	7	n.a.	105
Derry	n.a.	11	n.a.	145
Down	n.a.	5	n.a.	100
Dungannon	n.a.	4	n.a.	100
Fermanagh	n.a.	4	n.a.	90
Larne	n.a.	2	n.a.	100
Limavady	n.a.	3	n.a.	120
Lisburn	n.a.	7	n.a.	90
Magherafelt	n.a.	3	n.a.	90
Moyle	n.a.	1	n.a.	115
Newry and Mourne	n.a.	7	n.a.	115
Newtownabbey	n.a.	5	n.a.	85
North Down	n.a.	4	n.a.	75
Omagh	n.a.	4	n.a.	105
Strabane	n.a.	4	n.a.	140
Northern Ireland	n.a.	120	n.a.	105

APPENDIX 2: Details of statistical sources and methods

Full details of the sources and methods for the GB statistics that feed into the calculations for Northern Ireland can be found in the appendix to the GB report: C Beatty and S Fothergill (2013) *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, CRESR, Sheffield Hallam University.

HOUSING BENEFIT: (1) LOCAL HOUSING ALLOWANCE

Rules governing assistance with the cost of housing for low-income households in the private rented sector.

Nature of reforms

- Maximum rents set at 30th percentile of local rents, rather than 50th percentile, from 2011-12
- Caps on maximum rents for each property size, with 4-bed limit, from 2011-12
- Abolition of the £15 a week 'excess' formerly retained by tenants paying below maximum LHA rent, from 2011-12
- Increase age limit for shared room rate from 25 to 35, from January 2012
- Switch from 30th percentile rents to CPI indexation for LHA, from 2013-14

Total estimated loss (UK)

£1,645m a year by 2014-15, of which:

- £1,040m attributable to the use of the 30th percentile, size caps and the abolition of the £15 excess
- £215m attributable to the revised age for the shared room rate
- £390m arising from revised indexation.

(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Number in receipt of Local Housing Allowance (LHA) in Northern Ireland (Source: Northern Ireland Housing Executive (NIHE)) multiplied by the average financial loss per affected household in Scotland and Wales to estimate the overall financial loss. The average financial loss in Scotland and Wales (Sources: DWP *Impact Assessment* and *Equality Impact Assessment*) is used as a guide to Northern Ireland because of broadly comparable rent levels. In parts of England, rent levels are substantially higher.
- Numbers of affected households by district from NIHE (November 2012 data). Because of the revisions to indexation, all households in receipt of LHA are affected by at least one element the reforms.
- Financial loss allocated to each district in proportion to the number of households affected.

HOUSING BENEFIT: (2) UNDER-OCCUPATION

New rules governing the size of properties for which payments are made to working age claimants in the social rented sector (widely known as the 'bedroom tax').

Nature of the reform

- Limit Housing Benefit payments to working-age households in social rented accommodation to a level reflecting the number of bedrooms justified by the size and age composition of the household, from 2013-14 in GB and 2014-15 in Northern Ireland.

Total estimated loss (UK)

£490m a year by 2014-15
(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Numbers of households affected in Northern Ireland are Northern Ireland Housing Executive (NIHE) statistics on under-occupation in February 2013 for NIHE properties and in October 2012 for housing association properties, published in the Department for Social Development (DSD) *Welfare Reform Bill: Section 75 Update*, April 2013.
- Average financial loss per affected household in Northern Ireland is assumed to be the same as the estimated average loss in Scotland and Wales (£12 per week – Source: DWP *Impact Assessment*, June 2012 update), where rent levels in the social rented sector are broadly comparable.
- Number of households affected and financial loss in Northern Ireland allocated to districts in proportion to the number of Housing Benefit claims in the social rented sector by district (Source: NIHE).

NON-DEPENDANT DEDUCTIONS

Deductions from Housing Benefit, Council Tax Benefit (Regional Rate Rebate in Northern Ireland) and other income-based benefits to reflect the contribution that non-dependant household members are expected to make towards the household's housing costs.

Nature of reform

- Up-rating the deductions in stages between April 2011 and April 2014 to reflect growth in rents and increases in Council Tax since 2001, when the deductions were frozen, and subsequent link to prices

Total estimated loss (UK)

£340m a year by 2014-15
(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Proportion of Housing Benefit claimants in GB affected by changes to non-dependant deductions applied to the number of Housing Benefit claimants in November 2012 in Northern Ireland (Source: NIHE) to estimate number of affected households in Northern Ireland.

- Average financial loss per affected household in Northern Ireland assumed to be same as in GB.
- Number of affected households and financial loss allocated to districts in proportion to the number of Housing Benefit claims in November 2012 (Source: NIHE).

HOUSEHOLD BENEFIT CAP

New ceiling on total payments per household applying to wide range of benefits, including Child Benefit, Child Tax Credit, Carer's Allowance, Employment and Support Allowance, Housing Benefit, Incapacity Benefit, Income Support and Jobseeker's Allowance

Nature of reforms

- Total household benefit payments for working-age claimants capped so that workless households receive no more in benefit than the average weekly wage, after tax and national insurance, from 2013-14 in GB and 2014-15 in Northern Ireland, administered through Housing Benefit payments

Total estimated loss (UK)

£270m a year by 2014-15
(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Estimated number of affected households in Northern Ireland (620) taken from the Department for Social Development (DSD) *Welfare Reform Bill: Section 75 Update*, April 2013. The DSD estimates exclude benefit payments exempt from the benefit cap (eg Disability Living Allowance) and are consistent with the Department for Work and Pensions estimates for GB.
- Average financial loss per affected household assumed to be the same in Northern Ireland as in GB.
- In the absence of local data for Northern Ireland, the numbers of affected households and financial loss are allocated to districts in proportion to the number of out-of-work claimants of working age.

DISABILITY LIVING ALLOWANCE

Payments intended to help offset the additional financial costs faced by individuals of all ages with disabilities, including those both in and out of work

Nature of reform

- Phased replacement of Disability Living Allowance (DLA) for working-age claimants by Personal Independence Payments (PIP), from 2013-14 in GB and 2014-15 in Northern Ireland
- Introduction of more stringent medical test and regular re-testing
- Reduction in number of payment categories

Total estimated loss (UK)

£1,500m a year by 2017-18
(Source: DWP Impact Assessment *Disability Living Allowance reform*, adjusted for inflation and revised implementation timetable)

Methods and data sources for Northern Ireland

- The Department for Social Development (DSD) estimates a 25 per cent reduction in the caseload of working age in Northern Ireland as a result of reassessment (Source: *DSD Welfare Reform Bill; Section 75 Update*, April 2013). This percentage, based on a sample of 180 cases, is used here. DWP estimates for GB are that 26 per cent of the reassessed caseload will lose entitlement to benefit and that the overall reduction in anticipated numbers in the absence of reform (which includes new claims denied) will be 23 per cent (Source: DWP Impact Assessments).
- DSD estimates that a further 32 per cent of working age claimants will see their award reduced following the transition to PIP. These additional claimants are included in the numbers adversely affected. DSD also estimates that 24 per cent of claimants will see their award increased. The comparable figures for GB, from DWP, are 29 per cent reduced and 29 per cent increased.
- Increases and decreases in the value of awards are assumed to be half the average value of the awards completely disallowed (£3,000 pa, based on the overall reduction of 500,000 in the number of claims anticipated by DWP and the expected financial saving of £1.5bn a year to Treasury).
- Average financial gains and losses per individual assumed to be the same in Northern Ireland as in GB.
- Number of affected individuals and financial loss allocated to districts in proportion to the total number of DLA recipients in each authority in November 2012 (Source: DSD).

NB. In the present report the figures on the numbers of individuals adversely affected by the DLA reforms, and on the average financial loss, include those experiencing a reduction in payment. These figures differ from those published in the GB report, which only referred to complete loss of entitlement. The statistics on overall financial losses are however comparable.

INCAPACITY BENEFITS

Out-of-work payments to men and women of working age with health problems or disabilities, including Employment and Support Allowance (ESA) and its predecessors Incapacity Benefit, Income Support on grounds of disability, and Severe Disablement Allowance

Nature of reforms

- Introduction of ESA for new claimants and a new, tougher medical test (the Work Capability Assessment), from October 2008
- Applying the Work Capability Assessment to existing incapacity claimants from autumn 2010 onwards, and migration to ESA if not deemed 'fit for work'
- Time-limiting to 12 months non-means tested entitlement for ESA Work Related Activity Group, from 2012-13 in GB and 2014-15 in Northern Ireland
- New conditionality for ESA Work Related Activity Group

Total estimated loss (UK)

£4,350m a year by 2015-16, comprising:

- £2,600m a year from time limiting of non-means tested entitlement (Source: HM Treasury estimates for 2014-15, revised to take account of inflation and additional numbers affected by 2015-16)
- c. £1,750m a year from remaining measures (see GB report)

Methods and data sources for Northern Ireland

- By 2015-16 an estimated 700,000 across GB will be affected by time limiting, of which 40 per cent are anticipated to lose benefit entirely and the remaining 60 per cent to experience a reduction in payment (Source: DWP Impact Assessment *Time limit contributory Employment and Support Allowance to one year for those in the Work-Related Activity Group*).
- By 2014 an additional 550,000 across GB are estimated to be denied ESA by other elements of the reforms, of which 30 per cent will not claim alternative benefits (Source: Beatty and Fothergill 2011, *Incapacity benefit reform: the local regional and national impact*, CRESR, Sheffield Hallam University).
- As in the rest of the UK, the proportion of claimants in Northern Ireland likely to be adversely affected is higher in the areas where the claimant rate is higher. This reflects concentrations of 'hidden unemployment' on incapacity benefits in the weakest local labour markets. The relationship between the proportion likely to be affected and the incapacity claimant rate is taken from a regression using the data for GB local authorities (excluding London, where special factors apply) from Beatty and Fothergill (2013).
- The proportion of claimants affected in each district in Northern Ireland is estimated using the regression equation from the GB data and the incapacity claimant rate in each authority in November 2012 (Source: DSD).
- Average financial loss per affected individual assumed to be the same in Northern Ireland as in the rest of the UK.
- Figures for Northern Ireland as a whole are the sum of estimates for each of its constituent districts.

CHILD BENEFIT

Paid to households on the basis of the number of children up to age 16 or, if they remain at school or in further education, up to 19

Nature of reforms

- Freeze benefit rates for three years from 2011-12, instead of up-rate with inflation
- Withdrawal of benefit from households including a higher earner (threshold at £50,000 and taper to £60,000), from January 2013

Total estimated loss (UK)

£2,845m a year by 2014-15, of which:

- £975m attributable to the freeze
- £1,875m attributable to the withdrawal from higher earners.

(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Numbers of families in receipt of Child Benefit, by district in August 2011, from HMRC (Source: HMRC *Child Benefit Statistics: geographical analysis*). NB All recipients affected by freeze.
- Financial loss in Northern Ireland arising from freeze estimated using the ratio between NI and UK numbers in receipt of Child Benefit.

- Financial loss in Northern Ireland arising from withdrawal of benefit from high earners estimated on basis of the ratio between NI and UK numbers in receipt of Child Benefit multiplied by an index of median earnings in the three years 2010, 2011 and 2012 of residents in Northern Ireland relative to the UK average (Source: Annual Survey of Hours and Earnings).
- Financial loss allocated to districts on the basis of numbers receiving Child Benefit. (There are no published earnings statistics by district for Northern Ireland. In practice, average earnings in the Belfast sub-region – and therefore the numbers affected by the withdrawal from higher earners – are likely to be higher than elsewhere in Northern Ireland),

TAX CREDITS

Payments through the tax system of Child Tax Credit (CTC) and Working Tax Credit (WTC) to lower and middle income households

Nature of reforms

- Adjustments to thresholds, withdrawal rates, supplements, income disregards and backdating provisions, from 2011-12 onwards
- Changes in indexation and up-rating, from 2011-12 onwards
- Reductions in childcare element of WTC, from 2011-12
- Increase in working hours requirement for WTC, from 2012-13

Total estimated loss (UK)

£3,660m (net) a year by 2014-15
(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Number of families in receipt of CTC or WTC in Northern Ireland, in December 2012, by district (Source: HMRC *Child and Working Tax Credits Statistics: geographical analysis*).
- All families in Northern Ireland in receipt of CTC or WTC affected by one or more of the changes.
- Average financial loss per affected household assumed to be the same in Northern Ireland as in the rest of the UK.

1 PER CENT UP-RATING

Annual up-rating of value of benefits

Nature of reform

- 1 per cent up-rating (instead of by CPI) for three years from 2013-14 for main working-age benefits, and for two years from 2014-15 for Child Benefit and for Local Housing Allowance within Housing Benefit

Total estimated loss (UK)

£3,430m a year by 2015-16
(Source: HM Treasury)

Methods and data sources for Northern Ireland

- Northern Ireland's share of the total financial loss estimated on the basis of the ratio between the sum of the number of recipients of the relevant benefits in Northern Ireland and the equivalent sum in UK, weighted in both cases by UK spending on each benefit.
- Total loss divided equally between DSD-administrated benefits and HMRC-administrated benefits (Child Benefit, CTC, WFTC), reflecting the split of overall expenditure on the relevant benefits across the rest of the UK (Sources: DWP and HMRC).
- HMRC benefits loss allocated to districts in Northern Ireland on the basis of the total number of families in receipt of CTC or WFTC in December 2012, (Source: HMRC *Child and Working Tax Credits: geographical analysis*).
- DSD benefits loss divided 75:25 between working age benefits and Housing Benefit, reflecting split of overall expenditure on equivalent benefits across the rest of the UK (Source: DWP).
- DSD working age benefits loss allocated to districts on basis of non-employed working age benefit numbers in November 2012 (Source: DSD).
- Housing Benefit loss allocated to districts on basis of the number of Housing Benefit claimants in the private rented sector (Sources: NIHE).

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The impact of welfare reform on Northern Ireland

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